

**Jennifer Wood**  
**Mayor**

**J. Carlos Gomez**  
**Mayor Pro Tem**

**Chuck McGuire**  
**Council Member**

**Donald Parris**  
**Council Member**

**Eugene Stump**  
**Council Member**



## **AGENDA**

### **CITY OF CALIFORNIA CITY CITY COUNCIL**

#### **SPECIAL COUNCIL MEETING** **Wednesday, February 1, 2017** **3:00 p.m.**

Council Chambers  
21000 Hacienda Blvd.  
California City, Ca 93505

If you need special assistance to participate in this meeting, please contact the City Clerk's office at (760) 373-7140. Notification of 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.102-35.104 American Disabilities Act Title II)

**NOTE:** Any writings or documents provided to a majority of the City Council regarding any item on this agenda is available for public inspection in the City Clerk's office at City Hall located at 21000 Hacienda Blvd, California City, Ca during normal business hours, except such documents that relate to closed session items or which are otherwise exempt from disclosure under applicable laws. These writings are also available for review in the public access binder in the Council Chambers at the time of the meeting.

**LATE COMMUNICATIONS:** Following the posting of the agenda any emails, writings or documents that the public would like to submit to the council must be received by the City Clerk no later than 3pm the Monday prior to the meeting. Past that deadline citizens may bring these items directly to the meeting. Please bring 10 copies for distribution to council, staff and the public.

Agenda  
February 1, 2017

***\*\*At this time, please take a moment to turn off your cell phones\*\****

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

Councilmembers McGuire, Parris, Stump, Mayor Pro Tem Gomez, Mayor Wood

**ADOPT AGENDA**

**PUBLIC BUSINESS FROM THE FLOOR** This portion of the meeting is reserved for persons desiring to address the City Council on any matter not on this agenda, and over which the City Council has jurisdiction. Please state your name for the record and limit your comments to three minutes.

**CONTINUED BUSINESS**

**CB 1. Medical Marijuana Consultant Contract – City Manager Weil**

**Recommendation**

Council discuss, approve the contract agreement with HdL Companies as presented and authorize the City Manager to sign all related documents

**ADJOURNMENT**

**AFFIDAVIT OF POSTING:** This agenda was posted on all official City bulletin boards, the City's website and agenda packets were completely accessible to the public at City Hall at least 24 hours prior to the Special Council Meeting.

Denise Hilliker, City Clerk

# CITY COUNCIL

February 1st, 2017

**TO: Mayor and City Council**

**FROM: Tom Weil, City Manager**

**SUBJECT: Medical Marijuana Consultant Contract**

**BACKGROUND:** We are currently using the expertise of David McPherson of HdL Companies to guide us to provide subject matter expertise, develop and manage the process to select medical marijuana businesses and conduct a cost recovery and fiscal analysis for California City. City Staff would like to expand the scope of services to develop a Cannabis Ballot Measure and Tax Ordinance for the City of California City that could be placed on the June 6<sup>th</sup>, 2017 special election to be held by the County of Kern.

The scope of work would include:

- Kick off meeting(s) with City Staff or Sub Committees
- Identify issues which City staff needs to address in the development of a ballot measure and to reduce any legal issues or problems in establishing a cannabis businesses tax ordinance;
- Provide City staff with technical and policy expertise related to the operations and understanding of the Cannabis Industry to ensure compliance with the Medical Cannabis and Safety Act (MCRSA) and all applicable local ordinances; and
- Develop a ballot measure which will ensure the best tax strategy for the capturing of revenue for the City.

The tax, once approved by the voters, would be effective as of July 1, 2017 and would be able to be applied as the new Medical Marijuana Businesses begin to come on line over the next year. It would also allow us to gage the amount needed for the parcel tax to sustain our general government of the city which includes the Public Safety elements. The cost to for this expansion of services to be provided by HdL is not to exceed the price of \$7,000 dollars. The entire agreement is attached.

**RECOMMENDATION:** The City Council review and approve the contract agreement with HdL Companies as presented and authorize the City Manager to sign all related documents.

**FISCAL IMPACT:** 10-4134-630 City Contracts \$7,000.00

**ENVIRONMENTAL ACTION:** N/A

*The Finance Director has reviewed the staff report and finds the recommendations to be within the budget constraints of the Department.*

CBI.



# City of California City

## Marijuana Management Program

HdL Companies  
1340 Valley Vista Dr., Suite 200  
Diamond Bar, CA 91765  
[www.hdlcompanies.com](http://www.hdlcompanies.com)

Contact:  
David McPherson  
909.861.4335  
[dmcpherson@hdlcompanies.com](mailto:dmcpherson@hdlcompanies.com)



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## I. LETTER OF TRANSMITTAL

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January 27, 2017

Mr. William T. Weil, City Manager  
City of California City  
21000 Hacienda Blvd.  
California City, CA 93505

**Re: Proposal-Develop a Cannabis Ballot Measure and Tax Ordinance for the City of California City**

Dear Mr. Weil,

Thank you for the opportunity to present this proposal to develop a cannabis ballot measure and tax ordinance for California City. HdL was incorporated in 1983 and has over 30 years of experience providing revenue enhancement and consulting services to local governments in California. HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Its audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Medical Marijuana Management Program. The firm also provides a variety of enterprise software products for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 400 agencies in six states. The firm currently serves 44 counties, 299 cities and 79 transactions tax districts in California.

Of particular interest to you and your team is our knowledgeable team of professionals who have direct experience in the establishment and implementation of Marijuana Regulatory Programs including establishing land-use regulations, registration processes, operation regulations for medical and nonmedical marijuana facilities, staffing plans, cost recovery and structuring marijuana business tax fees.

Enclosed please find our detailed scope of services for HdL's Marijuana Management Program. We agree to adhere to the deliverable requirements for a total cost not to exceed \$7,000. However, this will be subject to an agreed upon project schedule between the City of California City and HdL.

We look forward to the opportunity to partner with California City in developing a strategy which meets your program needs. If you have any questions or require additional information, please feel free to contact us at 909.861.4335 or by email at [anickerson@hdlcompanies.com](mailto:anickerson@hdlcompanies.com) or David McPherson at [dmcpherson@hdlcompanies.com](mailto:dmcpherson@hdlcompanies.com).

Sincerely,



Andy Nickerson  
President, HdL Companies

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## II. PROPOSED SCOPE OF SERVICES

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The regulation, compliance and taxation of medical marijuana is complex and filled with challenging issues. Therefore, the objectives presented in this proposal are based on HdL's experience and the expectations and desired outcomes of the City. However, due to the ongoing evolution of the state's Medical Cannabis Regulation and Safety Act (MCRSA), formerly known as (MMRSA), HdL is agreeable to modifications to this scope of services as deemed necessary by both HdL and City staff. Amendments to this Scope of Services shall be made in writing and shall not constitute additional hours of work without proper compensation unless otherwise approved by the City and HdL.

The Scope of Services to be provided by HdL shall include:

- Kick off meeting(s) with City Staff or City Sub Committees;
- Identify issues which City staff needs to address in the development of a ballot measure and to reduce any legal issues or problems in establishing a cannabis businesses tax ordinance;
- Provide City staff with technical and policy expertise related to the operations and understanding of the Cannabis Industry to ensure compliance with the Medical Cannabis and Safety Act (MCRSA) and all applicable local ordinances; and
- Develop a ballot measure which will ensure the best tax strategy for the capturing of revenue for the City.

### **Objective 1: Provide Subject Matter Expertise & Technical Support**

Subject matter expertise and technical support will begin upon the execution of a contract with the Consultant which will include the following:

- Consultant shall work with City staff on developing tax strategies related to medical and nonmedical marijuana tax policies where applicable;
- Monitor MCRSA and AUMA policy development and provide feedback to City staff to ensure that the City is in compliance with any changes which may impact the development of the cities strategy to regulate and tax businesses which will be permitted in the City;
- Participate in staff meetings via conference calls, respond to staff inquiries via phone and email, review staff reports to city council and assist with responses to inquiries from the public to staff.
- Committee/Council Meetings: HdL will be present to provide staff and city council technical support for up to two (2) City Council meetings if available at the request of the City Administration; and
- Provide consultation to City staff and council members to address issues regarding regulations or taxation policies at the request of the City Administration.



**Objective 2: Develop Tax Strategy and Ballot Measure**

**Objective 2.1 Create and Design Ballot Measure**

- Create and design a ballot measure to tax the various medical marijuana categories which are permitted in the city;
- Design in the ordinance an administrative procedure policy related to delinquencies, payment process, appeals, exemptions and other administrative requirements which will be utilized by the city for the implementation and collection of the tax upon adoption; and
- Establish language in the ballot measure which will capture the taxation of medical marijuana and non-medical marijuana to provide the city a mechanism to potentially tax recreational (retail) marijuana if it is determined to be lawful in a future date by the City.

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**III. COST**

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HdL's fee proposal is based on time, materials and travel expenses associated with the execution of the services. It is based on the current scope of services as outlined in Objectives 1 and 2 for a fee not to exceed \$7,000. This fee is based on the current requirements presented to HdL by City staff in order to meet these requirements and the following assumptions:

Scope of Service Objectives	Estimated Hours of Labor/Budget
<b>Objective I – Subject Matter Expertise and Technical Support</b>	<b>8 hours / \$2,000</b>
<b>Objective II - Develop Tax Strategies and Ballot Initiative</b>	<b>20 hours / \$5,000</b>
<b>Total</b>	<b>28 hours / \$7,000</b>

**Objective 1: Cost Assumptions -Subject Mater Expertise and Technical Support**

- HdL will attend up to two Council Meetings upon availability to provide technical support related to the development and implementation of the tax measure and ordinance development;
- Provide technical support for city staff via conference calls and email during the implementation of the development of the ordinance.

**Objective 2: Cost Assumptions- Develop Tax Strategies and Ballot Initiative**

- HdL will not incur any cost associated with filing the ballot initiative with the County Registrar or marketing to promote ballot initiative.

#### **IV. EXPERIENCE AND RESOURCES**

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##### **Company Profile**

Founded in 1983, HdL is a consortium of three companies established to maximize local government revenues by providing audit, compliance, economic development, consulting services and software products. Its audit and consulting services include sales, use and transaction taxes, property taxes, transient occupancy taxes, and a Medical Marijuana Management Program. The firm also provides a variety of enterprise software processing tools for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 400 agencies in six states. The firm currently serves 44 counties, 299 cities and 79 transactions tax districts in California.

HdL's key staff has extensive experience serving local government and many have previously held positions in city management, finance, planning, economic development or revenue collection. HdL is a Corporate Partner of the League of California Cities and California State Association of Counties, and works extensively with the County Auditor's Association of California, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.

This close understanding of local government needs coupled with extensive databases and advance methodology provides for the most relevant, productive and responsive, revenue recovery, forecasting and economic services available.

##### **Key Personnel**

David McPherson, Cannabis Compliance Director

David McPherson will be the primary point of contact for this project. Prior to joining the firm, David served 28 years in local government for the County of Orange and the cities of Newport Beach, San Jose and Oakland. David's experience as a law enforcement officer, compliance auditor, and tax administrator has provided him a wealth of experience that makes him uniquely qualified to manage the HdL Cannabis Compliance Program. While working for the City of Oakland, he became the first Tax Administrator in the Country to successfully tax, audit and regulate medical marijuana businesses. David is one of the state's most recognized experts in cannabis horticulture, processing and dispensary operations. He uses his experience to assist local and state agencies in developing marijuana policies for regulation, compliance, auditing and economic development. He worked closely with the League of Cities and lobbyists on the development of AB 243, SB 243 and AB 266, which established the Medical Cannabis Regulation and Safety Act (MCRSA).

David is currently working on implementation and regulatory requirements for Proposition 64 with local agencies to prepare them to mitigate several issues surrounding the ballot measure.

David provides technical support on cannabis-related matters to the League of Cities, the Police Chief's Association, Rural County Representatives of California, and the California State Association of Counties. In addition, David is working collaboratively with the Department of Consumers Affairs, Department of Food & Agriculture, Department of Health Services and the State Board of Equalization on the implementation of best practices for regulating the Cannabis Industry for local agencies.

David received his Bachelor's Degree in History from California State University, Fullerton and his Master's Degree in Public Administration from California State University, Long Beach. While at Long Beach, he was named "Future Urban Administrator of the Year".

#### **Mark Lovelace, Cannabis Policy Advisor**

Mark Lovelace has 16 years of broad experience in public policy, community engagement and advocacy from both inside and outside of government. He is recognized as a leader in advancing the statewide discussion of medical and recreational cannabis as a policy issue in California.

Mark served on the Humboldt County Board of Supervisors from 2009 through 2016, where he was instrumental in developing a comprehensive approach to regulating cannabis, including a voter-approved tax on commercial cultivation and an innovative track and trace pilot program. Mark established and co-chaired the Medical Marijuana Working Group for the California State Association of Counties (CSAC) and helped draft CSAC's legislative platform for cannabis issues. Mark pioneered the first-ever six-county regional summit on cannabis issues in 2015, which resulted in the North Coast Counties Marijuana Policy Statement. His work and input were pivotal in guiding the development of SB 643 and AB 243, two components of the Medical Cannabis Regulation and Safety Act (MCRSA).

Mark has worked extensively with public agencies and statewide associations on cannabis issues, including CSAC, Rural County Representatives of California (RCRC), the Association of California Water Agencies, the North Coast Resource Partnership, California Department of Fish and Wildlife, the State Water Board, the North Coast Regional Water Board, the Bureau of Medical Cannabis Regulation, State legislators, the Department of Justice, Members of Congress and others. He has organized and led numerous presentations, workshops and panel discussions on cannabis issues and has been a sought-after speaker on the topic for government agencies, community organizations and cannabis industry groups.

Mark received his Bachelor of Science Degree in Industrial and Product Design from California State University, San Jose. Prior to his time on the Board, he worked for many years as a respected advocate on land use, planning, development and environmental issues.

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**Matt Eaton, Cannabis Compliance Manager**

Matt Eaton is the Cannabis Compliance Manager at HdL and will play a critical role in implementing the Cannabis Compliance Program for the City. Prior to joining the firm, he was a progressive law enforcement professional with 29 years of experience conducting criminal/regulatory investigations, and corporate/individual background investigations. While working as a Supervisory Investigator at the Colorado Department of Revenue in the Marijuana Enforcement Division (MED), Matt managed Criminal Investigators and civilian staff in the Denver Metro and Longmont Field Offices. During his tenure at the MED, he conducted approximately 10,000 criminal investigations and compliance reviews, which included regulatory and financial investigations. In addition, he is a subject matter expert on track and trace systems in which he understands the complexity in reviewing data information to ensure businesses are compliant. Matt was well known for his ability to maintain working relationships with Cannabis Industry leaders and external stakeholders in resolving issues. In addition, he was responsible for planning, developing and implementing report and field inspection protocols for the agency. Furthermore, he played an instrumental role in recommending changes to current regulations and identifying essential language for new legislation in the State of Colorado.

Matt received his Bachelors of Science Degree from Biola University and currently maintains a Colorado Post Certificate. He has also served as an Adjunct Instructor teaching law enforcement principals related to criminology, correctional processes, procedural law, interviews, interrogations and criminal evidence at AIMS Community College in Greeley, Colorado.

**Stephanie Martin, Cannabis Outreach Coordinator**

With over 28 years of diversified law enforcement experience, Stephanie has used her training and expertise to develop community-based partnerships, create and implement outreach programs and apply her communication for media relations. As a Volunteer Program Manager, she was responsible for the recruitment, selection, and training of volunteers who provided support services to all divisions of the Manhattan Beach Police Department. Her assignment as the Department's Community Affairs Officer was unique, as she was the only officer to have supervisory responsibilities, manage a budget and interview/select applicants for paid and volunteer positions. Stephanie also served as the coordinator of the DARE program for the City of Redondo Beach. Stephanie earned her Bachelor of Science degree from Chapman University in Orange California.

**Elizabeth Eumurian, Senior Analyst**

Elizabeth Eumurian is a Senior Analyst in HdL's Audit Department. Elizabeth previously worked for a large financial institution analyzing data for reporting anomalies and performing financial audits. She has also worked as a senior auditor in the entertainment industry. In this role, Elizabeth executed testing procedures for targeted audit programs, analyzed findings and prepared audit and compliance reports. Elizabeth earned her Bachelor of Arts degree in History from California State University, Fullerton.

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**Adam Crabtree, HdL Strategic Partner: Founder and CEO of Nationwide Compliance Specialists**

Adam Crabtree is the Founder and CEO of Nationwide Compliance Specialists, Inc. (NCS), headquartered in Denver, Colorado. After graduation, Adam began his career in banking, managing sales, operations and compliance for a Tier 1 bank. It was here that he recognized the inherent flaws and systemic disconnect between banks, state government, and the Cannabis Industry. Relying on his background in banking, his education, and his analytical acumen, he began to dig into the pain points that are at the center of these issues. It was at this point that the core of the NCS platform, the patent-pending predictive analytical algorithm, was born. The algorithm was written to gather numerous, seemingly unrelated, data points and analyze the interplay between them. After a successful testing period, NCS transformed the algorithm into a high-powered, near-real time, analytics engine capable of aggregating and analyzing tens of millions of data points that are then transformed into clear, concise, detailed reports. These reports are then used to assist in decision-making and resource allocation in the financial, regulatory and governmental sectors. NCS's partnership with HdL has established a "one of a kind" financial auditing program which will help ensure that cannabis businesses are properly reporting taxes, fees and other data required by state and local agencies.

Adam's expertise with identifying and recognizing financial banking issues has given him the opportunity to work collaboratively with state and local officials as well as financial institutions in Colorado and California. He is often requested to conduct presentations about the current challenges for the Cannabis Industry and how the use of advanced analytics can help government overcome them. In addition, he has conducted presentations to the California State Assembly, Alaska Bar Association, State Board of Equalization, Native Nation, and numerous elected officials spanning from Hawaii to Massachusetts. Adam is a proud three-time graduate of the University of Colorado (BA, MBA, MSF).

**Johan Klehs – Lobbyist**

The firm engages Johan Klehs as its lobbyist to represent client interests in matters before the BOE and the state legislature. In statewide office, Mr. Klehs served as Chair and a Member of the California State Board of Equalization as well as a Member of the Franchise Tax Board. He also served 14 years as a Member of the California State Assembly and 4 years as a Member of the San Leandro City Council. In the Assembly, Mr. Klehs chaired the Assembly Revenue and Taxation Committee longer than any individual in California's history.

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## V. REFERENCES

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**Satwant Takhar**

Administrative Services Director  
City of Marysville  
Phone: 503.749.3935  
Email: [stakhar@marysville.ca.us](mailto:stakhar@marysville.ca.us)

**Steve Adams**

City Manager  
King City  
Phone: 831.386.5917  
Email: [sadams@kingcity.com](mailto:sadams@kingcity.com)

**Mic Steinman**

Community Services Director  
City of Greenfield  
Phone: 831.674.5591  
Email: [msteinmann@ci.greenfield.ca.us](mailto:msteinmann@ci.greenfield.ca.us)

**Chris Callihan**

City Attorney  
City of Salinas  
Phone: 831.758.7201  
Email: [chris.callihan@ci.salinas.ca.us](mailto:chris.callihan@ci.salinas.ca.us)

**Thomas Truskowski**

Director of Planning and Economic Development  
City of Gonzales  
Phone: 831.675.5000  
Email: [ttruskowski@ci.gonzales.ca.us](mailto:ttruskowski@ci.gonzales.ca.us)



